

**MINUTES OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
June 14, 2001
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the Rouge Room of the Little America Hotel, located at 2515 East Butler Avenue, Flagstaff, AZ, 86004. Dr. Chuck Essigs, Chairman, Arizona State Retirement System Board called the meeting to order at 8:34 a.m., MST.

The meeting was teleconferenced to the ASRS Phoenix office, 10th floor Board room, 3300 North Central Avenue, Phoenix, Arizona, 85067 and to the Tucson Office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call.

Present: Dr. Chuck Essigs, Chairman
Mr. Jim Bruner, Vice Chairman (via teleconference)
Dr. Merlin DuVal
Ms. Bonnie Gonzalez
Mr. Alan Maguire (via teleconference)
Mr. Norman Miller (via teleconference)
Mr. Karl Polen (via teleconference)
Mr. Ray Rottas

Excused: Mr. Jim Jenkins

A quorum was present for the purpose of conducting business.

2. Approval of Minutes of the May 18, 2001, Regular Meeting of the ASRS Board.

Motion: Dr. Merlin DuVal moved to approve the minutes of the May 18, 2001, regular meeting of the ASRS Board.

Ms. Bonnie Gonzalez seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

3. Board Approval of Consent Schedule.

Motion: Dr. Merlin DuVal moved that the ASRS Board approve the summary report of Retirements, Refunds and Death Benefits, System Transfers, and Application and Agreements with the Following Employers:

- Summit Fire District
- Accelerated Learning Center

and the Contract Extension of Deloitte & Touche for External Audit Services.

Mr. Ray Rottas seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

Dr. Chuck Essigs announced that an item on the agenda regarding the contract award for actuarial services would be rescheduled and placed on the agenda of the August Board meeting.

4. Presentation, Discussion and Appropriate Action Regarding the Approval of the ASRS Biennial Audit Plan.

Mr. Karl Polen, Chairman, Audit Board Committee, reported that the committee met on Tuesday, May 15, 2001 to review and discuss the Internal Audit Plan for the next two fiscal years. The committee recommended that the full Board approve the plan.

Motion: Mr. Ray Rottas moved to approve the ASRS Annual or Biennial Internal Audit Plan for Fiscal Years 2001/2002 and 2002/2003.

Mr. Karl Polen seconded the motion.

Mr. Alan Maguire requested that staff delineate any changes in the current plan from previous internal audit plans. Mr. Bernard Glick, Chief Internal Auditor, reviewed each area to be audited and noted how often and when each audit will be conducted.

Mr. Miller asked how frequently the ASRS member employers have been audited. Mr. Glick answered that it has never been done. Mr. Miller requested information, as the internal audits progress, about the frequency of errors in employers' contributions to the ASRS.

Ms. Bonnie Gonzalez observed that employers' payments are audited by their own auditors. The Auditor General also audits what employers send to the ASRS. Dr. Essigs added that school districts have independent certified public accountants who audit their systems. Dr. Essigs and Mr. Miller suggested the ASRS internal audit staff coordinate with the employers' auditors to look at contributions to the ASRS.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding the Contract Award for the Long-Term Disability Administrator.

Dr. Merlin DuVal, Chairman, Long-Term Disability (LTD) and Health Insurance Board Committee, reported that the contract with the current LTD administrator expires on July 31, 2001. A request for proposal (RFP) was issued and an evaluation committee reviewed the proposals that were submitted. Considering cost and experience, the committee recommended to the full Board that the contract be awarded to Voluntary Plan Administrators, Inc.

Motion: Dr. Merlin DuVal moved to award the Long-Term Disability Administrator contract to Voluntary Plan Administrators, Inc. for a one-year period from October 1, 2001 to September 30, 2002, with two possible one-year extensions.

Ms. Bonnie Gonzalez seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

6. Appointment of Fiscal Year 2001/2002 ASRS Board Committee Members

Mr. Jim Bruner, Chairman Elect, appointed the following Board members to chair the various Board committees for fiscal year 2001/2002:

- Mr. Jim Jenkins - Audit Board Committee
- Mr. Karl Polen - Investment Review Board Committee
- Mr. Norman Miller - External Relations and Legislative Board Committee
- Dr. Merlin DuVal - Long-Term Disability and Health Insurance Board Committee
- Ms. Bonnie Gonzalez - Long Range Planning and Budget Committee

He also noted members of each committee and reminded Board members that committees can only make recommendations, so any actions will be discussed at the full Board level. Mr. Bruner also advised that all Board members can participate in any committee meeting, and they should receive notice and materials in advance of any meetings.

Mr. Ray Rottas respectfully declined assignment to the External Relations and Legislative Board Committee.

7. Director's Report

Mr. Tom Augherton, Deputy Director, External Operations provided an update on the efforts of the ASRS staff to disseminate information to the members regarding new legislation.

Mr. Augherton reported that a letter was sent to employers informing them of changes, particularly with regard to the new supplemental defined contribution plan; the member newsletter was mailed out, with information on the new benefit changes; the employer newsletter is currently in production; External Operations staff has held employer briefings throughout the state in response to numerous

inquiries regarding interpretation and implementation; information has been posted on the ASRS Web site; a legislative folder for the next legislative session has been opened to address necessary technical changes; staff is updating employer contact data to ensure better flow of information; and staff is providing guidance to legislative staff in their review of the new chapter laws. All these efforts are designed to communicate the intent of the bills and eliminate different interpretations.

Mr. Augherton also reported that appointments are underway for an interim legislative study committee, proposed by Senator Marsha Arzberger, that will examine a wide-range of health insurance issues. Mr. Maguire requested additional information about the study committee and asked for a future Board discussion on the implementation of the supplemental defined contribution program (DC) and the deferred retirement option program (DROP).

Mr. Miller asked how involved the ASRS would be with the study committee and what issues it may bring to the attention of the committee. Mr. Augherton responded that Dr. Merlin DuVal may serve on the committee. The ASRS staff has encouraged those involved to have deliberate discussion and make the experience worthwhile for the participants, accessible to the public and to produce a final product that reflects an open and educated process. Mr. Maguire encouraged staff to take the initiative to provide accurate, reliable and alternative information to give members of the committee options in their discussions.

Mr. Miller asked if current law requires employers, when they are audited, to share with the ASRS any deviations relevant to the ASRS that are found in those audits. If not, he suggested the need for such a statute, given the limited staff and the infrequency of employer audits by the ASRS. Mr. Maguire stated that he believes that the form and content of political subdivisions' audits, although conducted by independent auditors, are prescribed by the Auditor General so it may be possible to have the Auditor General include the sharing of information in the guidelines.

Mr. Jim Bruner was excused at 9:29 a.m.

Dr. DuVal commented that a nine-person task force, including several legislators and prominent citizens, has already been organized and met several times to examine possible ways for the state to provide health insurance coverage for everyone in the state. He requested that staff remind the Arzberger interim study committee about the task force so that they might coordinate their efforts.

8. Board Requests for Agenda Items

Mr. Maguire reiterated his request for a Board discussion and presentation on the implementation of the DC and DROP programs.

9. Call to the Public.

Mr. Bill Goettsch, of Tucson, asked about the length of the health insurance contract with the current carrier and requested notification of any health insurance committee meetings.

10. The next ASRS Board meeting is scheduled for Friday, August 17, 2001 at 8:30 a.m. in the

10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910.

11. Adjournment of the ASRS Board.

Dr. Chuck Essigs, Chairman adjourned the June 14, 2001 meeting of the ASRS Board at 9:35 a.m.

Respectfully submitted,

Maurah Harrison, Secretary

Date

LeRoy Gilbertson, Director

Date